



# Estimated State Tax Revenue

November 17, 2016

# Fiscal Year 2016 Tax Revenue

## COMPARISON OF ACTUAL ACCRUAL STATE TAX REVENUE

### DEPARTMENT OF REVENUE TAXES

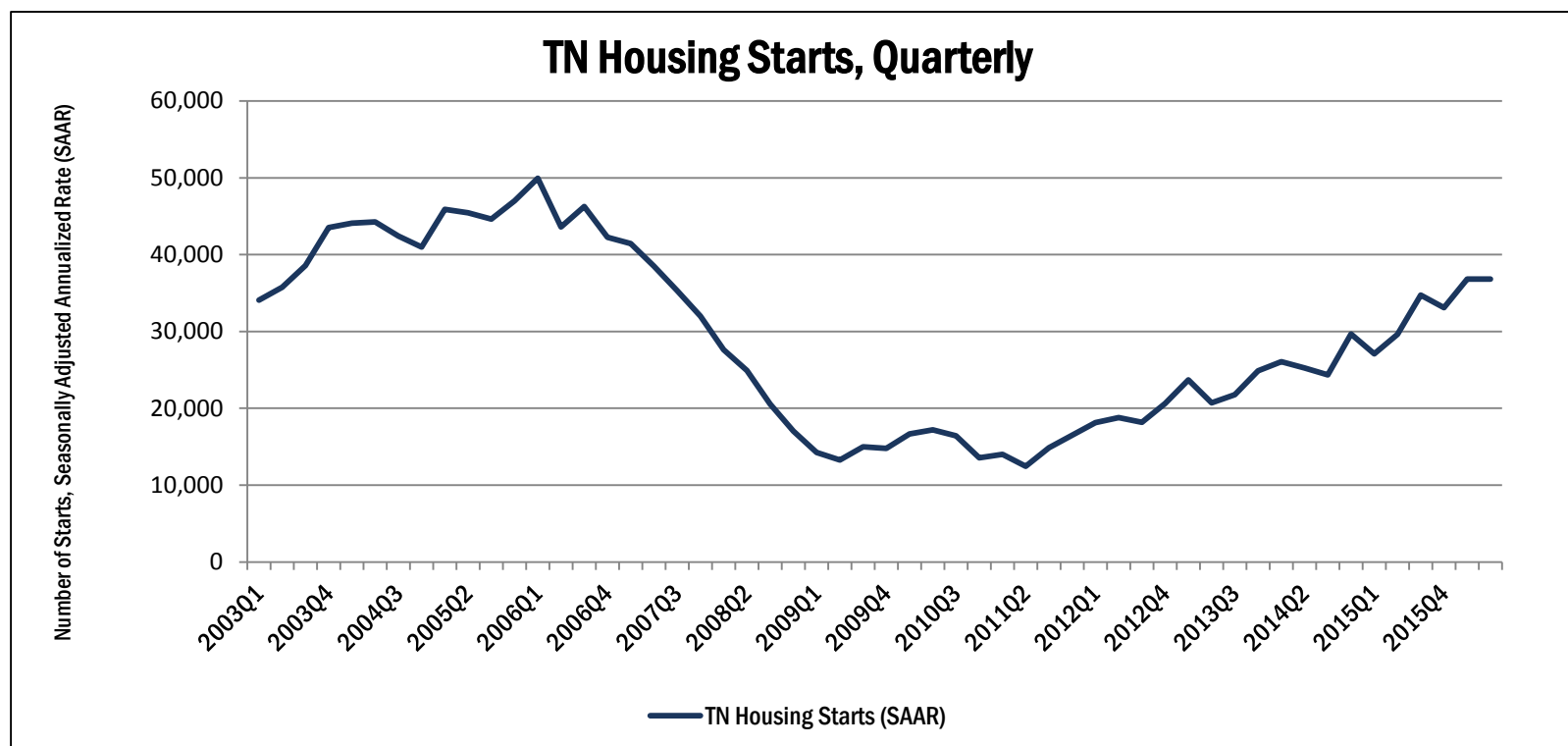
#### YEAR OVER YEAR COMPARISON

	Fiscal Year 2015	Fiscal Year 2016	% Change	Tax Weight	Total % Point Contribution
Sales and Use Tax	\$7,706,000,000	\$8,267,200,000	7.28%	60.94%	4.44%
Hall Dividend & Interest Tax	303,400,000	322,400,000	6.26%	2.40%	0.15%
Corporate Franchise and Excise Tax	2,164,500,000	2,311,700,000	6.80%	17.12%	1.16%
Gasoline Tax	631,800,000	659,900,000	4.45%	5.00%	0.22%
Other	1,839,600,000	1,868,000,000	1.55%	14.55%	0.22%
<b>TOTAL ACCRUAL REVENUE</b>	<b>\$12,645,200,000</b>	<b>\$13,429,200,000</b>	<b>6.20%</b>	<b>100%</b>	<b>6.20%</b>

\*Data from F&A

# Housing

- Housing starts increased 27.8% from FY 2015 – FY 2016
- By the end of FY 2017, housing starts are expected to decrease 5.24% from a year earlier



# Tax Implications

## Direct Revenue Implications of Increased Housing Activity (Most Recent 6 Month Data)

Growth is presented as year over year (YOY)

### Sales Tax Collections from Building Materials

	Collections	YOY % Growth	YOY \$ Growth
May	\$43,894,742	5.67%	\$2,356,699
June	\$39,804,234	-0.14%	-\$57,202
July	\$44,686,167	10.14%	\$4,113,595
August	\$38,067,988	2.66%	\$985,993
September	\$36,597,440	9.75%	\$3,251,445
October	\$39,263,152	5.79%	\$2,149,699
		<b>5.58%</b>	<b>\$12,800,229</b>

### Privilege Tax Collections from Realty Transfer

	Collections	YOY % Growth	YOY \$ Growth
May	\$13,845,239	27.05%	\$2,947,586
June	\$15,359,185	28.55%	\$3,411,344
July	\$14,772,483	3.84%	\$545,661
August	\$13,446,374	0.12%	\$15,856
September	\$15,344,287	17.10%	\$2,240,465
October	\$13,942,522	14.50%	\$1,765,861
		<b>14.42%</b>	<b>\$10,926,773</b>

### Privilege Tax Collections from Realty Mortgage

	Collections	YOY % Growth	YOY \$ Growth
May	\$7,128,649	28.73%	\$1,590,845
June	\$6,432,183	26.46%	\$1,345,819
July	\$6,168,410	0.30%	\$18,669
August	\$5,556,640	-1.92%	-\$108,796
September	\$7,227,967	41.95%	\$2,135,913
October	\$6,211,723	20.07%	\$1,038,334
		<b>18.41%</b>	<b>\$6,020,784</b>

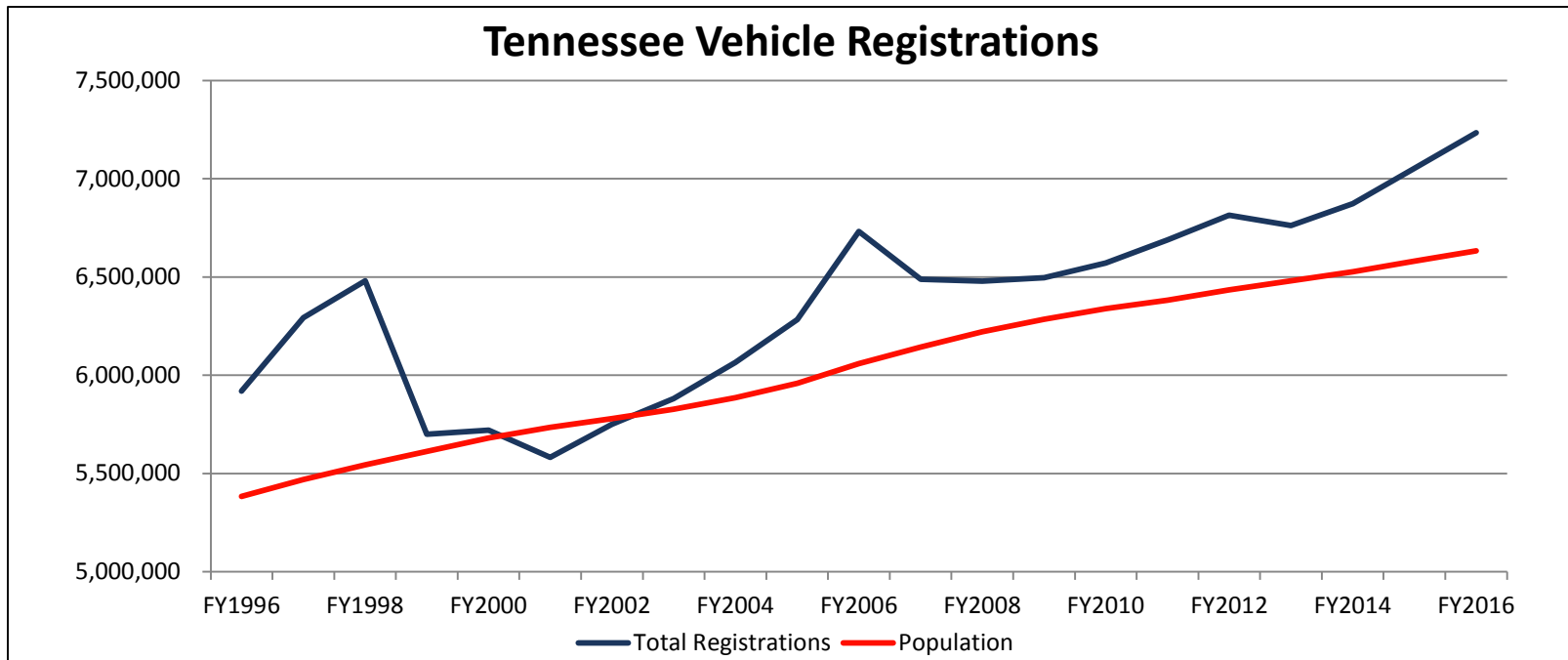
**6 Month Total Growth**

**8.80%**

**\$29,747,786**

# Automotive

- Tennessee vehicle registrations increased 2.6% from FY 2015 – FY 2016
- By the end of FY 2017, vehicle registrations are expected to increase 2.3% from a year earlier



# Tax Implications

## Direct Revenue Implications of Increased Automotive Activity (Most Recent 6 Month Data)

Growth is presented as year over year (YOY)

### Sales Tax Collections from Motor Vehicle Dealers, New & Used

	Collections	YOY % Growth	YOY \$ Growth
May	\$52,946,937	8.73%	\$4,253,038
June	\$53,854,564	0.22%	\$116,030
July	\$53,554,752	4.85%	\$2,479,504
August	\$57,200,296	5.63%	\$3,048,899
September	\$59,308,175	4.88%	\$2,762,171
October	\$54,878,570	8.17%	\$4,143,372
		<b>5.34%</b>	<b>\$16,803,014</b>

### Sales Tax Collections from Motor Vehicle Dealers, Used

	Collections	YOY % Growth	YOY \$ Growth
May	\$15,758,545	7.97%	\$1,163,667
June	\$14,778,474	-4.02%	-\$618,414
July	\$15,306,820	4.30%	\$631,480
August	\$15,737,395	6.41%	\$947,678
September	\$16,160,064	6.62%	\$1,003,759
October	\$14,880,376	-7.04%	-\$1,127,169
		<b>2.21%</b>	<b>\$2,001,001</b>

### Sales Tax Collections from Auto Repair, Services, and Parking

	Collections	YOY % Growth	YOY \$ Growth
May	\$17,393,105	2.38%	\$404,317
June	\$17,277,737	2.71%	\$455,520
July	\$18,318,173	2.82%	\$502,930
August	\$17,135,962	-5.30%	-\$958,506
September	\$18,222,516	6.15%	\$1,055,510
October	\$17,879,148	5.39%	\$915,044
		<b>2.29%</b>	<b>\$2,374,815</b>

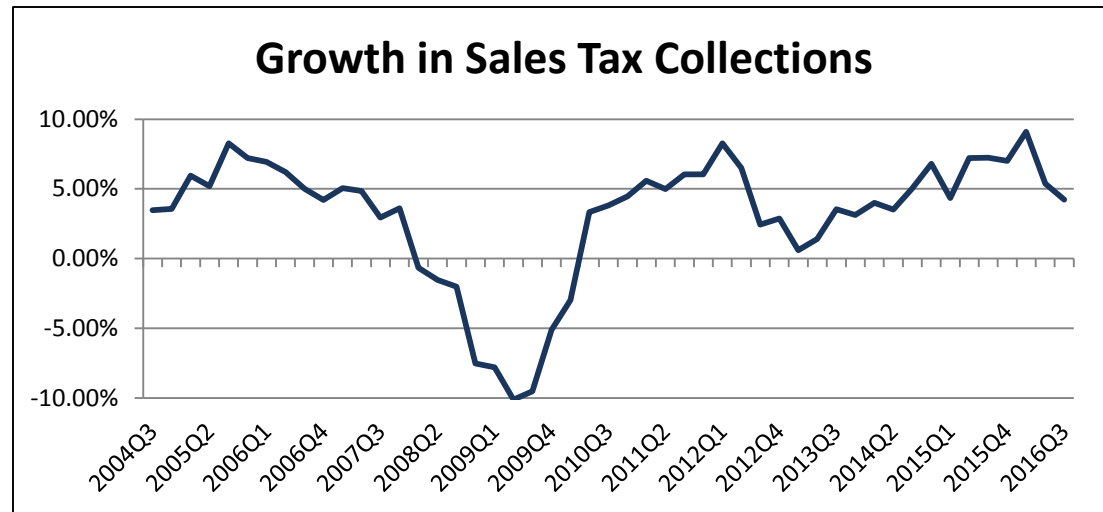
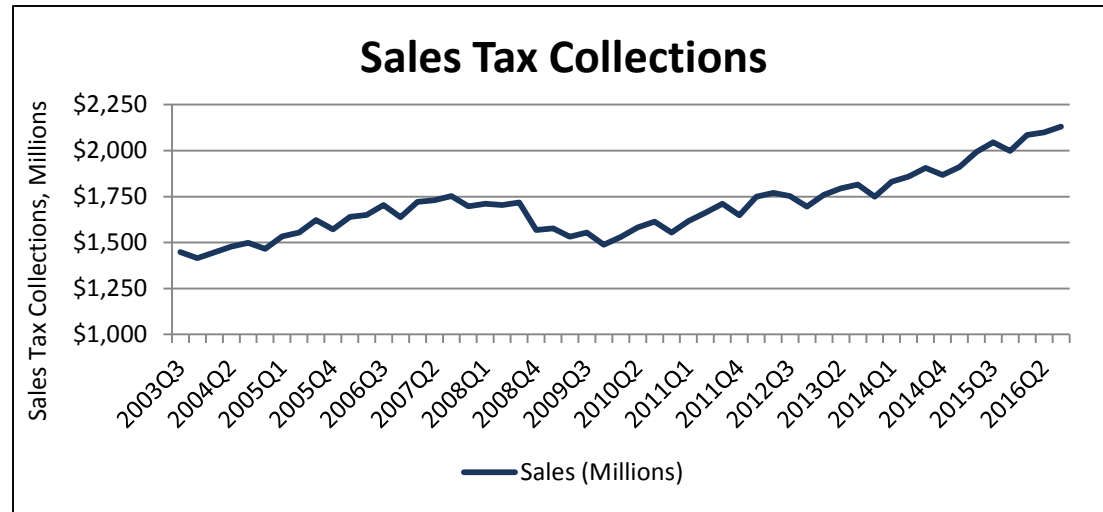
**6 Month Total Growth**

**4.16%**

**\$21,178,830**

# Sales

- Sales tax collections increased 7.16% from FY 2015 – FY 2016
- By the end of FY 2017, sales tax collections are expected to increase 4.24% from a year earlier



# Tax Implications

## Direct Revenue Implications of Increased Sales Activity (Most Recent 6 Month Data)

Growth is presented as year over year (YOY)

### Sales Tax Collections from Eating & Drinking Places

	Collections	YOY % Growth	YOY \$ Growth
May	\$71,507,759	8.12%	\$5,367,608
June	\$69,698,755	0.79%	\$543,205
July	\$71,846,796	5.33%	\$3,635,288
August	\$71,410,570	4.38%	\$2,996,666
September	\$68,366,796	1.62%	\$1,091,790
October	\$70,195,021	5.51%	\$3,666,388
		<b>4.26%</b>	<b>\$17,300,945</b>

### Sales Tax Collections from Hotels & Lodging Places

	Collections	YOY % Growth	YOY \$ Growth
May	\$20,854,139	15.27%	\$2,761,818
June	\$20,550,766	10.61%	\$1,971,418
July	\$23,072,371	9.63%	\$2,026,844
August	\$24,150,004	8.80%	\$1,952,423
September	\$19,345,931	3.84%	\$715,238
October	\$22,922,240	18.81%	\$3,628,669
		<b>11.08%</b>	<b>\$13,056,410</b>

### Mixed Drink (Liquor-by-the-Drink) Tax Collections

	Collections	YOY % Growth	YOY \$ Growth
May	\$9,378,889	20.47%	\$1,593,414
June	\$8,889,463	8.22%	\$674,975
July	\$8,384,360	11.22%	\$846,111
August	\$8,323,645	9.30%	\$708,077
September	\$8,488,811	8.41%	\$658,722
October	\$8,370,962	10.81%	\$816,912
		<b>11.38%</b>	<b>\$5,298,211</b>

**6 Month Total Growth**

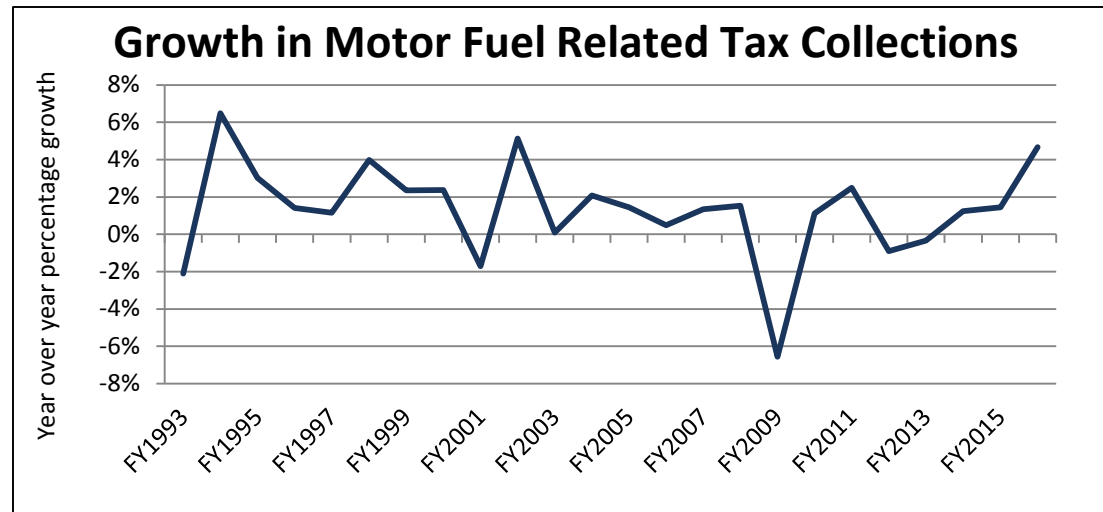
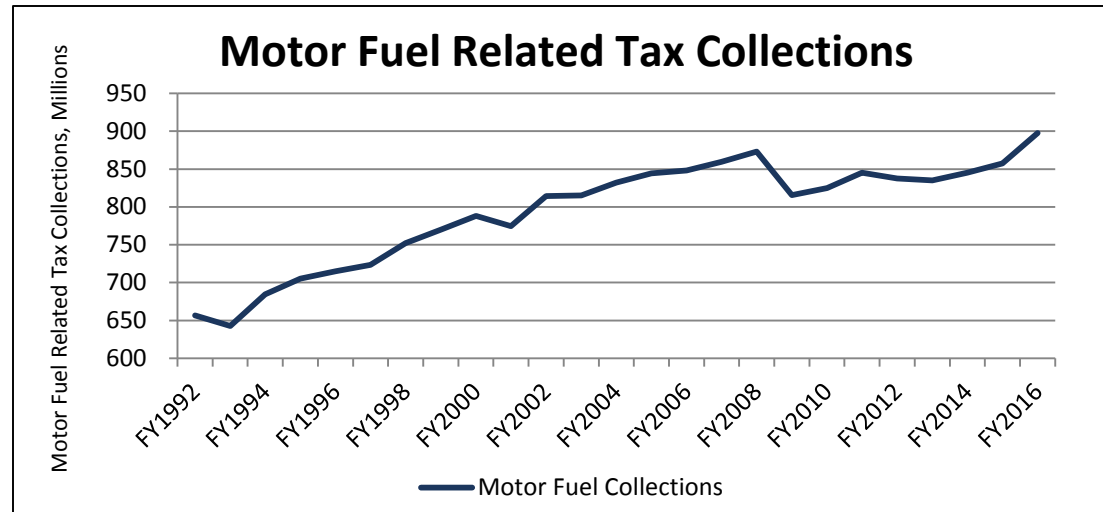
**6.25%**

**\$35,655,566**



# Motor Fuel Related Collections\*

- Motor fuel related tax collections increased 4.66% from FY 2015 – FY 2016
- By the end of FY 2017, collections are expected to increase 2.48% from a year earlier



# Tax Implications

**Direct Revenue Implications of Increased Motor Fuel Related Activity (Most Recent 6 Month Data)**  
**Growth is presented as year over year (YOY)**

## Sales Tax Collections from Gasoline Services Stations

	Collections	YOY % Growth	YOY \$ Growth
May	\$12,355,940	21.84%	\$2,214,746
June	\$12,814,200	9.98%	\$1,162,406
July	\$12,914,753	13.44%	\$1,530,415
August	\$13,024,796	9.84%	\$1,166,730
September	\$13,199,968	14.82%	\$1,704,234
October	\$12,808,778	12.07%	\$1,379,994
		<b>13.48%</b>	<b>\$9,158,525</b>

## Gasoline Tax Collections

	Collections	YOY % Growth	YOY \$ Growth
May	\$54,315,510	2.39%	\$1,266,014
June	\$58,521,618	2.79%	\$1,589,819
July	\$61,933,393	4.08%	\$2,426,641
August	\$56,224,386	-0.50%	-\$283,005
September	\$59,249,931	4.86%	\$2,747,562
October	\$49,438,367	-7.63%	-\$4,081,801
		<b>1.09%</b>	<b>\$3,665,230</b>

## Motor Fuel Tax Collections

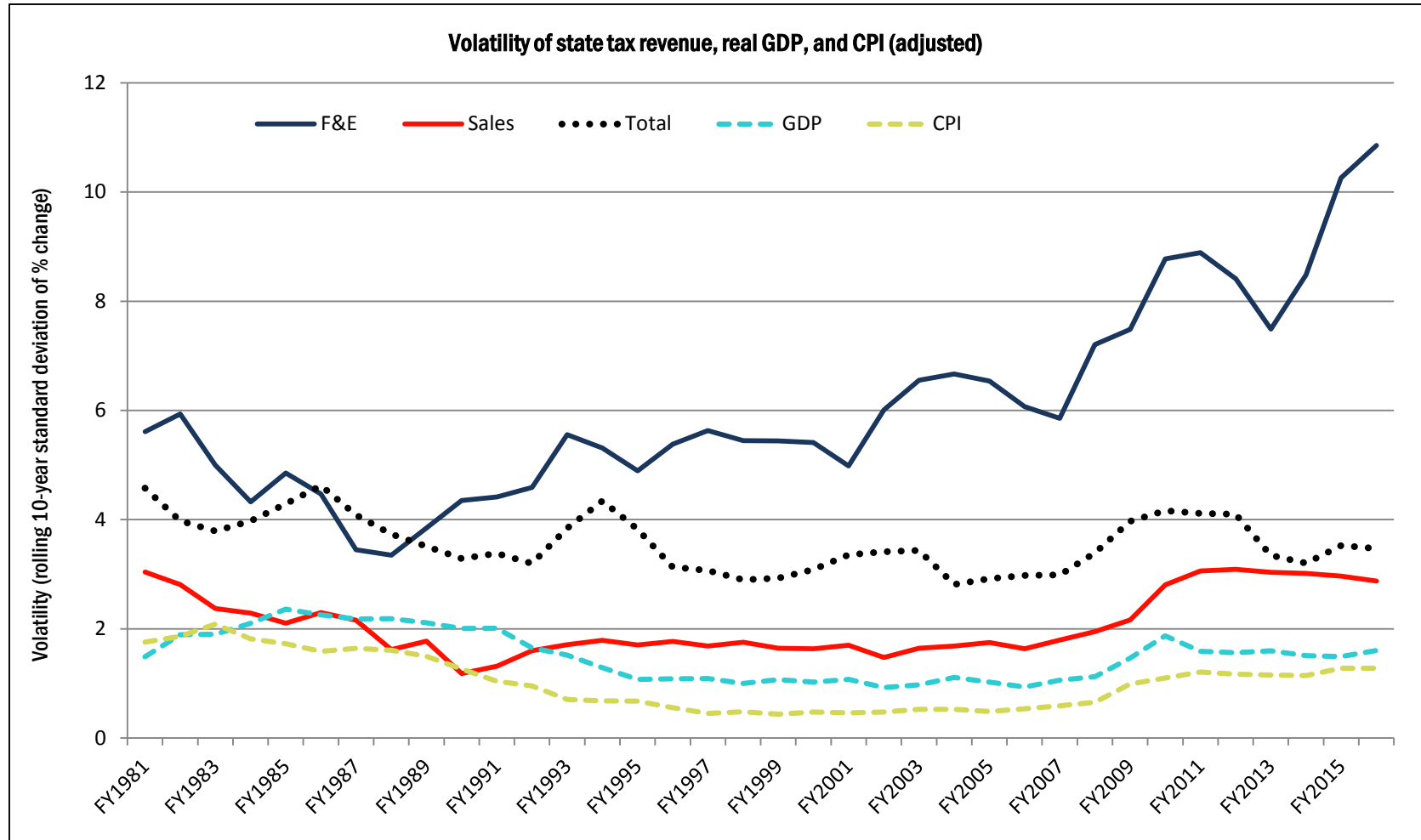
	Collections	YOY % Growth	YOY \$ Growth
May	\$12,043,382	-15.52%	-\$2,212,632
June	\$14,739,943	8.97%	\$1,213,843
July	\$16,273,978	1.08%	\$174,050
August	\$13,544,982	8.83%	\$1,098,783
September	\$14,918,182	2.07%	\$302,404
October	\$16,825,185	3.43%	\$557,953
		<b>1.30%</b>	<b>\$1,134,401</b>

**6 Month Total Growth**

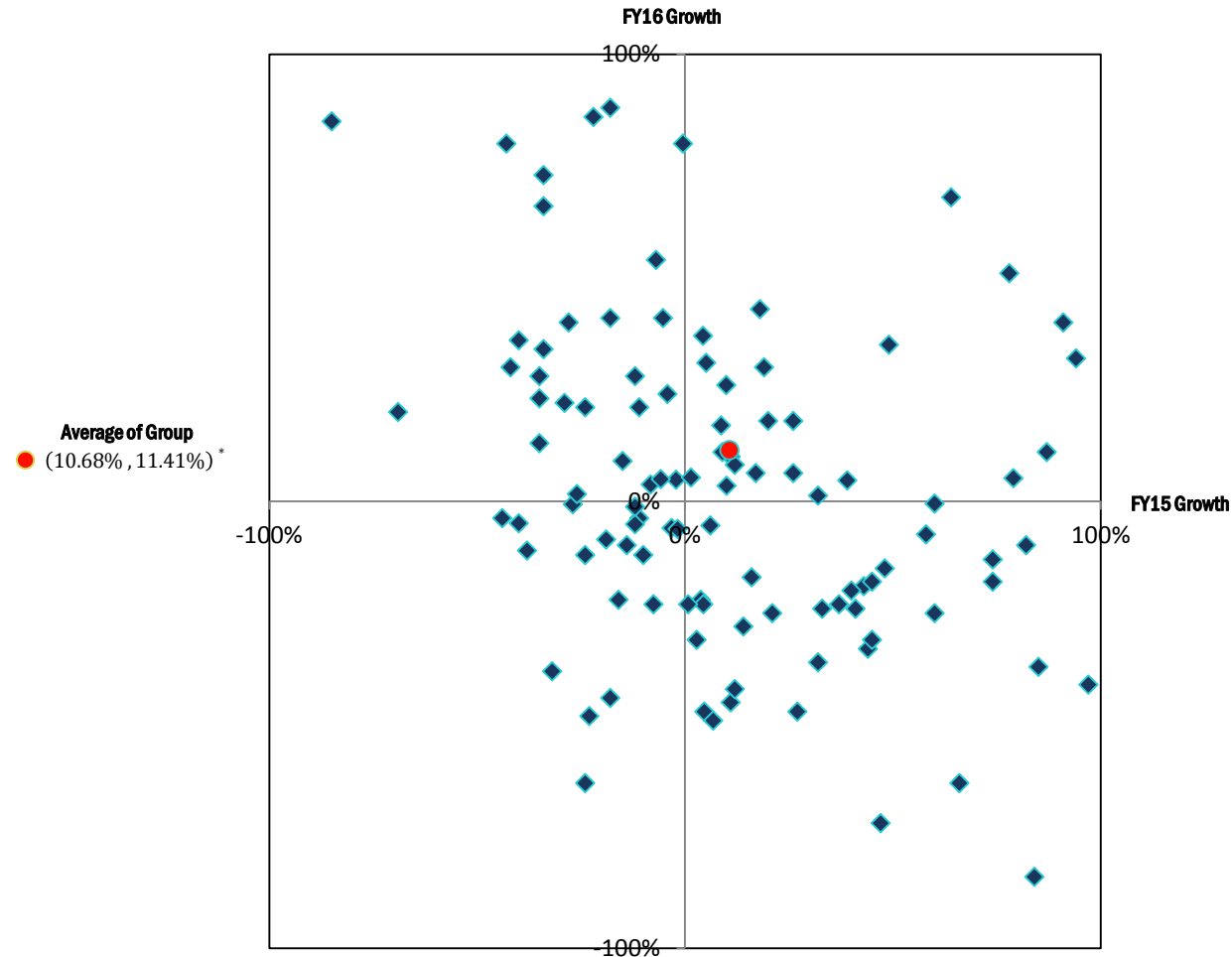
**2.84%**

**\$13,958,156**

# Tennessee Tax Volatility Comparison



# YOY Change in Collections - Selected F&E Taxpayers



- This graph shows growth rates of F&E accounts with collections greater than \$1M in the last three fiscal years and growth rates less than 100%.
- There is inherent volatility in F&E collections even among the taxpayers with the highest annual collections.

# F&E Payment History

FY	Month	Franchise Return	Excise Return	Net Estimated Payments	Reported Total
2014	Jul-13	34,538,002	121,328,747	(89,337,993)	66,528,755
2014	Aug-13	23,493,846	35,107,726	(26,946,250)	31,655,323
2014	Sep-13	97,849,514	198,430,981	(19,196,225)	277,084,270
2014	Oct-13	231,161,623	400,009,346	(587,942,518)	43,228,451
YTD Jul-13 thru Oct-13		387,042,985	754,876,800	(723,422,986)	418,496,799
2014	Nov-13	50,078,867	71,596,808	(87,024,364)	34,651,311
2014	Dec-13	36,957,768	66,926,206	95,663,489	199,547,462
2014	Jan-14	26,435,622	30,084,111	83,150,464	139,670,197
2014	Feb-14	15,967,276	24,417,219	(2,270,617)	38,113,879
2014	Mar-14	48,029,819	68,850,377	71,343,409	188,223,605
2014	Apr-14	85,164,839	126,840,089	247,123,560	459,128,489
2014	May-14	21,922,043	30,649,115	(6,062,319)	46,508,839
2014	Jun-14	15,638,975	22,713,975	290,755,485	329,108,434
FY 2014 Total		687,238,195	1,196,954,700	(30,743,879)	1,853,449,015
2015	Jul-14	30,398,863	149,033,591	(110,956,514)	68,475,939
2015	Aug-14	29,902,427	41,311,672	(36,629,557)	34,584,541
2015	Sep-14	110,332,720	173,782,799	34,382,180	318,497,698
2015	Oct-14	225,936,479	385,523,895	(584,640,584)	26,819,791
YTD Jul-14 thru Oct-14		396,570,488	749,651,957	(697,844,476)	448,377,969
2015	Nov-14	48,602,699	67,463,851	(99,929,655)	16,136,895
2015	Dec-14	25,951,903	22,764,205	170,553,335	219,269,443
2015	Jan-15	17,509,536	36,437,267	269,332,339	323,279,141
2015	Feb-15	16,433,188	34,559,195	(934,257)	50,058,125
2015	Mar-15	55,322,465	89,991,156	51,031,799	196,345,419
2015	Apr-15	82,622,291	136,218,139	296,625,675	515,466,104
2015	May-15	21,730,326	36,868,954	7,788,170	66,387,450
2015	Jun-15	18,186,079	27,137,565	310,885,213	356,208,857
FY 2015 Total		682,928,974	1,201,092,288	307,508,142	2,191,529,404

FY	Month	Franchise Return	Excise Return	Net Estimated Payments	Reported Total
2016	Jul-15	30,358,004	83,818,024	(33,674,495)	80,501,532
2016	Aug-15	34,463,474	211,462,095	(234,091,138)	11,834,432
2016	Sep-15	129,639,680	223,320,743	7,793,729	360,754,153
2016	Oct-15	260,999,516	488,041,213	(671,655,187)	77,385,542
YTD Jul-15 thru Oct-15		455,460,674	1,006,642,075	(931,627,091)	530,475,659
2016	Nov-15	41,634,293	60,113,054	(60,636,876)	41,110,471
2016	Dec-15	19,432,574	35,324,387	215,766,251	270,523,212
2016	Jan-16	28,380,286	54,496,118	108,477,679	191,354,083
2016	Feb-16	22,978,337	43,659,841	(17,001,390)	49,636,788
2016	Mar-16	65,308,500	113,403,374	71,557,545	250,269,419
2016	Apr-16	93,884,592	153,621,558	278,717,735	526,223,885
2016	May-16	13,814,167	20,143,324	20,059,374	54,016,865
2016	Jun-16	27,395,204	41,800,541	329,216,979	398,412,724
FY 2016 Total		768,288,628	1,529,204,272	14,530,206	2,312,023,106
2017	Jul-16	34,400,571	118,578,558	(96,678,355)	56,300,774
2017	Aug-16	35,826,068	68,563,509	(62,326,948)	42,062,630
2017	Sep-16	121,925,876	192,328,214	90,595,834	404,849,924
2017	Oct-16	282,327,770	525,743,742	(741,845,308)	66,226,204
YTD Jul-16 thru Oct-16		474,480,285	905,214,023	(810,254,777)	569,439,531
FY 2017 Total		474,480,285	905,214,023	(810,254,777)	569,439,531

# Public Chapter 92 of 2015

- Requires the Department to include in its estimates of franchise and excise tax revenue growth a description of whether the growth is recurring or nonrecurring.
- Unforeseen events can result in large, non-recurring changes in tax collections.
  - Mergers & Acquisitions
  - Audit Assessments
  - Voluntary Disclosure Agreements
  - Litigation

# Non-Recurring Items

- **Analyze daily tax revenue collections relative to previous years and budget estimates.**
- **Identify extraordinary or unusual payments using the Department of Revenue Business Intelligence tool and SAS programs.**
- **Focus analysis at the taxpayer level to identify the nature of payments and possible implications to total tax collections for the month.**
- **Maintain a list of one-time events and analyze any impact these payments may have on the following fiscal year.**

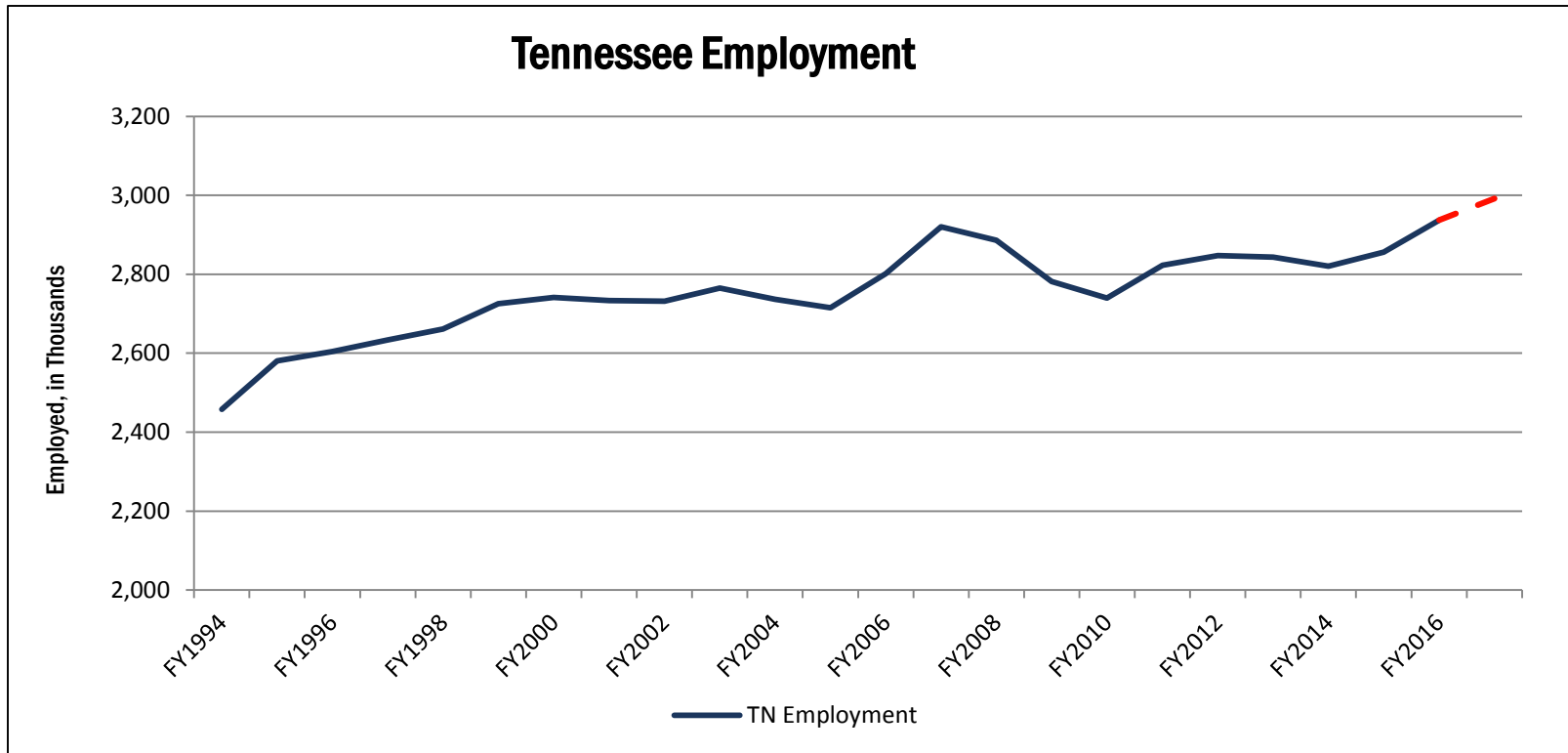
# Public Chapter 92 of 2015

- There are no known non-recurring items included in the estimates for fiscal year 2017, but the Department is anticipating approximately \$180 million in non-recurring payments in FY 2017. These payments are not included in the estimates for FY 2017.
- The fiscal year 2018 estimates do not include revenue estimates for any proposed or potential rule changes.



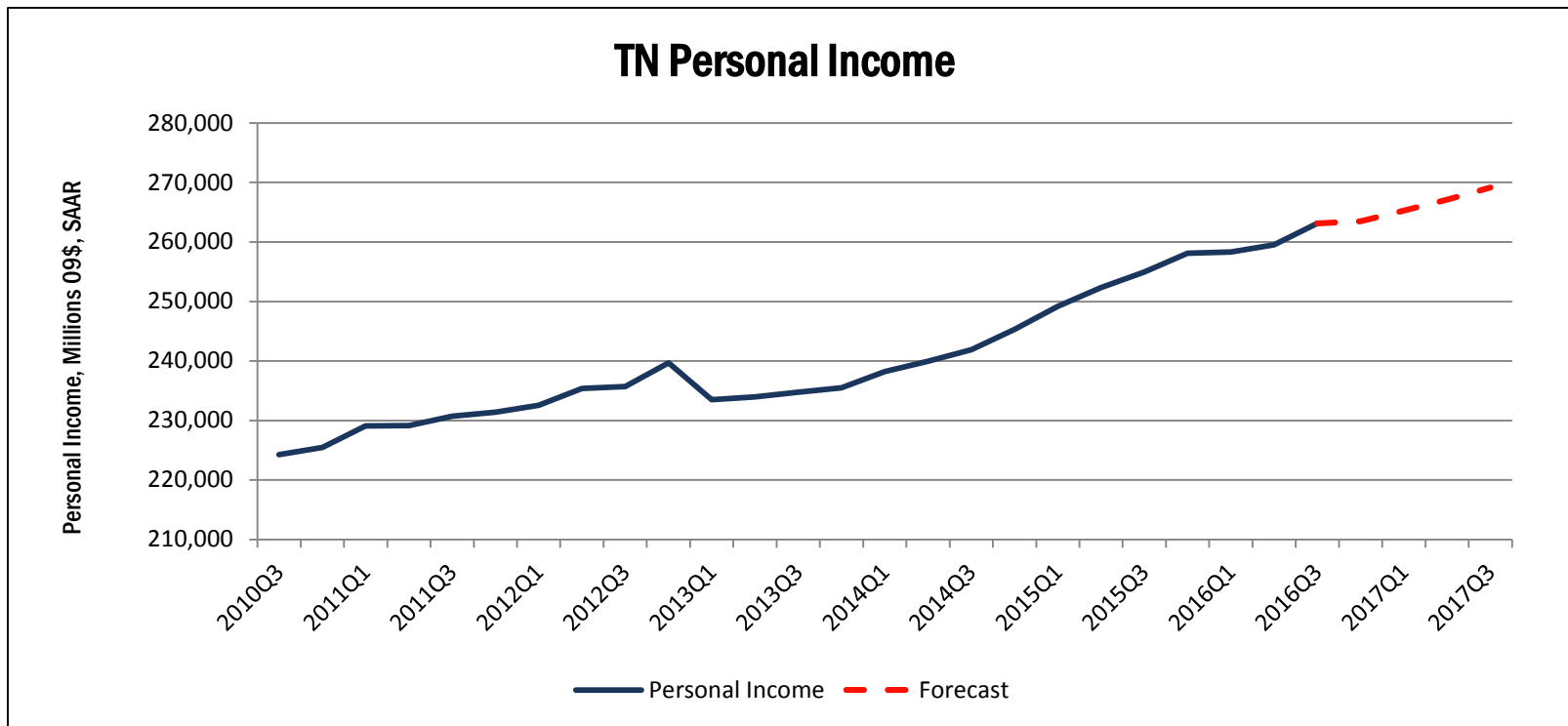
# Tennessee Employment

- Strong growth in employment
- Steady employment growth is expected over the forecast horizon



# Tennessee Personal Income

- Personal income gains of 4.27% for FY 2016
- Personal income gains of 2.73% are expected for FY 2017, led by growth in dividends, interest, and rents





**REVENUE COLLECTION ESTIMATES**  
**STATE FUNDING BOARD MEETING - 11/17/2016**  
**Accrual year basis (USD)**

**SOURCE OF REVENUE**

Department of Revenue	Accrual Revenues FY 2016	official	FY 2017	% change <sup>2</sup> over FY 2016	FY 2018	% change <sup>2</sup> over FY 2017
		Revenue Estimates FY2017	Revised Estimates FY 2017		Revenue Estimates FY 2018	
	Actual					
Sales and Use Tax	\$8,267,200,000	\$8,272,700,000	8,601,200,000	4.04%	8,911,100,000	3.60%
Gasoline Tax	659,900,000	632,700,000	669,500,000	1.45%	685,400,000	2.37%
Motor Fuel Tax	172,300,000	170,200,000	177,400,000	2.96%	183,300,000	3.33%
Gasoline Inspection Tax	67,400,000	66,100,000	69,200,000	2.67%	70,100,000	1.30%
Motor Vehicle Registration Tax	271,200,000	261,900,000	280,900,000	3.58%	289,100,000	2.92%
Income Tax	322,400,000	296,000,000	286,100,000	-11.26%	299,000,000	4.51%
Privilege Tax <sup>1</sup>	316,500,000	333,400,000	335,000,000	5.85%	353,900,000	5.64%
Gross Receipts Tax - TVA	348,700,000	355,000,000	342,200,000	-1.86%	346,600,000	1.29%
Gross Receipts Tax - Other	20,000,000	31,200,000	28,400,000	42.00%	29,700,000	4.58%
Beer Tax	17,400,000	17,100,000	17,600,000	1.15%	17,900,000	1.70%
Alcoholic Beverage Tax	62,300,000	62,300,000	65,800,000	5.62%	69,400,000	5.47%
Franchise & Excise Tax	2,311,700,000	2,133,400,000	2,367,600,000	2.42%	2,483,300,000	4.89%
Inheritance and Estate Tax	55,400,000	14,500,000	14,500,000	-73.83%	1,900,000	-86.90%
Tobacco Tax	261,500,000	260,700,000	259,800,000	-0.65%	258,400,000	-0.54%
Motor Vehicle Title Fees	22,800,000	18,800,000	24,100,000	5.70%	24,600,000	2.07%
Mixed Drink Tax	96,300,000	94,100,000	106,100,000	10.18%	116,200,000	9.52%
Business Tax	154,600,000	155,200,000	165,900,000	7.31%	176,600,000	6.45%
Severance Tax	1,400,000	2,000,000	1,200,000	-14.29%	1,300,000	8.33%
Coin-operated Amusement Tax	300,000	300,000	300,000	0.00%	300,000	0.00%
<b>Total Department of Revenue</b>	<b>\$13,429,300,000</b>	<b>\$13,177,600,000</b>	<b>\$13,812,800,000</b>	<b>2.86%</b>	<b>\$14,318,100,000</b>	<b>3.66%</b>
<b>General Fund Only</b>	<b>\$11,257,100,000</b>	<b>\$11,056,900,000</b>	<b>\$11,599,800,000</b>	<b>3.04%</b>	<b>\$12,032,400,000</b>	<b>3.73%</b>

<sup>1</sup>Privilege excludes \$43.0 million dollar earmark not included by F&A

<sup>2</sup>Percent change in revenue for each tax is the calculated percentage change *after* rounding to nearest \$100,000

Note: Totals may differ due to rounding

# Definitions and Sources

- **SAAR = Seasonally Adjusted Annualized Rate**
- **FY = Fiscal Year**
- **TN = Tennessee**
- **Data Sourced From:**
  - **Moody's Analytics (Fall, 2016)**
  - **BEA (Fall, 2016)**
  - **BLS (Fall, 2016)**
  - **U.S. Census Bureau (Fall, 2016)**
  - **TN Department of Revenue (Fall, 2016)**
  - **TN Department of Finance & Administration (Fall, 2016)**